

MOCK TEST PAPER – 1
INTERMEDIATE (IPC): GROUP – I
PAPER – 2: BUSINESS LAWS, ETHICS AND COMMUNICATION

Division A is compulsory,

From Division B, Question No.1 is compulsory

*Attempt any **four** questions from the remaining **five** questions*

Time Allowed – 3 Hours

Maximum Marks – 100

Division A

1. Vivek Shah is the Chief Finance Officer (CFO) and Sachin Bhatt is the Company Secretary of Jitendra Iron Works Private Ltd (JIWPL), in Manipal, Karnataka. JIWPL is an integrated set up of foundries and machine shops that add value by machining more than 75% of the castings manufactured to fully finished condition. JIWPL is one of the largest jobbing foundries producing grey iron castings required for automobile, farm equipment sector and diesel engines industry. JIWPL serves customers globally. The turnover of JIWPL is about Rs. 600 Crores, including export turnover of about Rs. 250 Crores.

During the year 2019, JIWPL planned expansion to enhance its production capacity to meet the increasing demand from its customers, by importing fully automatic plant and equipments from Germany for the unit at Manipal. The means of finance of the expansion project:-

- (a) JIWPL received an amount of Rs 25 Crores from Malini Shetty, wife of one of the promoter directors Mahesh Shetty of JIWPL. Mahesh Shetty wanted to know from Sachin Bhatt any compliance needed from the perspective of acceptance of Deposits.
- (b) The Board and the CFO also approached the main banker of the company viz., Bank of Baroda. The Bank after proper credit analysis, sanctioned an amount of Rs. 50 Crores for meeting the working capital needs of the expansion project, which included interchangeable limits of cash credit, foreign and inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, inventory and other current assets of the expansion project in Manipal of JIWPL.

The CFO and the CS together coordinated with the legal department of the Bank on procedures relating to creation of security and registration of charges.

The registered office of JIWPL is located in Manipal. Out of the company's 180 members, 20 members, who are entered in the Register of Members reside in Mangaluru, a nearby city, requested the company for some reasons to maintain the Register of Members in the company's liaison office in Mangaluru, instead of Manipal henceforth.

Multiple Choice Questions (2 Marks each*3= Total 6 Marks)

- (A) JIWPL received an amount of Rs 25 Crores from Malini Shetty, wife of one of the promoter directors Mahesh Shetty of JIWPL. Mahesh Shetty wanted to know from Sachin Bhatt any compliance needed from the perspective of acceptance of deposits. The CS has to ensure -:
- (i) That the particulars of amount received are immediately entered in the register of deposits maintained in such manner and in such format as prescribed;
 - (ii) To issue immediately a circular to the members of the company with a statement of deposits accepted as on date with the names of each depositor, amount(s) received as on date, the due date(s) and the liability(ies) on the due date(s) in respect of each depositor

- (iii) That a declaration is to be obtained to the effect that the amount given is not sourced from borrowed funds or accepting loans or deposits from others and disclose the details in the Board's Report;
 - (iv) To file the particulars of deposits received within 30 days from the date of its receipt with the Registrar.
- (B) JIWPL was also sanctioned an additional amount of Rs. 50 Crores for meeting the working capital needs of the expansion project., which included interchangeable limits of cash credit, foreign and Inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, Inventory and other current assets of the expansion project of JIWPL. A floating Charge, in general is created by way of :
- (i) Passing a board resolution
 - (ii) Signing and acknowledging the Credit Sanction letter
 - (iii) Mortgage
 - (iv) Hypothecation or lien.
- (C) The registered office of JIWPL is located in Manipal. Out of the company's 180 Members, 20 members, who are entered in the register of members (ROM) reside in Mangaluru, a nearby city. These members requested the company for some reasons to maintain the Register of members (ROM) in the company's liaison office in Mangaluru, instead of Manipal henceforth.
- (i) The ROM shall be maintained only at the registered office in Manipal and maintaining in a place other than the registered office is not permitted under the Companies Act 2013 and the relevant Rules there under.
 - (ii) By passing a Special Resolution in a General Meeting, the ROM can be maintained in Mangaluru.
 - (iii) The Board of Directors by passing a Board Resolution in one of its meetings, may direct the Company Secretary to maintain the ROM in Mangaluru.
 - (iv) If more than 1/3rd of the members, whose names are entered in the ROM request for the change, then only the ROM can be maintained at Mangaluru after passing a Special Resolution in a General Meeting.
2. Mr. Malik is working as CEO at one of leading Fin-Tech Company and also running a blog (where he writes professional stories and also answer queries from his readers). He is trendsetter and famous in his office for his dressing sense apart from professional excellence. He gave a piece of fabric to Skylark Tailors, for stitching the latest style suit from it on 20.01.2020. Tailoring charges for stitching the suit is settled at INRs 8000 and it was also agreed that stitched suit will be delivered on the 7th day from 20.01.2020. Mr. Malik is a regular client of Skylark Tailor, and amount of INRs 5000 is pending against his name.

Mr. Raman who is one of the readers of Mr. Malik's blog, asked for consultancy on a payment basis, to which Mr. Malik agreed. Consultancy charges of INR 15000 agreed between the two. Mr. Malik rendered the consultancy and raised an invoice allowing credit of 15 days. In response to which Mr. Raman made a promissory note in favour of Mr. Malik and kept in the drawer of his desk, pending for post. On the specified day, Mr. Malik visits the shop of Skylark tailor; who stitched the suit as per specification. Mr. Malik tenders INRs 8000 for stitching the suit as agreed and request for a trial and delivery, but the Skylark tailor refuses to deliver the suit till the pending dues (old debts) of INRs 5000 is not cleared.

Mr. Malik judge a quiz show on the role of block-chain and Industry 4.0 in financial services, where he in personal capacity gave the prize to the winner, Mr. Kumar Sanjay of INRs 10000 apart from prizes by sponsors and organizers. Mr. Malik has drawn a cheque in favour of Kumar Sanjay, a minor who endorsed the same in favour of Mr. Singh. Mr. Singh, in turn, endorsed it in favour of Mr. Khanna. The Cheque was dishonoured by the bank. Mr. Malik meets Mr. Nayan at the show who is a common friend to both Mr. Malik, and Mr. Raman. From Mr. Nayan, Mr. Malik came to know that Mr. Raman is no more.

After returning back to his home from the finale of the quiz, Mr. Malik found postal mail from legal heirs of Mr. Raman; which contain promissory note which was remain in the desk of Mr. Raman pending of post and found by his legal heirs, after his death.

Satinder Malik who is the elder son of Mr. Malik, and studying law at National Law University (NLU) visited home during vacations. During some conversation at the lunch table, Mr. Malik asked Satinder about his legal position in all the above cases based upon circumstances.

Multiple Choice Questions (2 Marks each*3= Total 6 Marks)

- (A) With reference to dishonoured cheque, which of the following statements are correct?
- I. Mr. Khanna can sue, all Mr. Singh, Kumar Sanjay and Mr. Malik
 - II. Mr. Khanna can sue Mr. Singh and Mr. Malik only
 - III. Mr. Singh can sue Kumar Sanjay
 - IV. Mr. Singh can sue Mr. Malik if Mr. Khanna recovered the money from him.
- (i) I and II only
(ii) II and III only
(iii) II and IV only
(iv) I and IV only
- (B) In respect of the promissory note drawn by Mr. Raman, can Mr. Malik sue upon such a promissory note?
- (i) Yes, because of Mr. Raman owes to Mr. Malik
 - (ii) Yes, because Mr. Malik has possession of the promissory note
 - (iii) No, because promissory note was not properly delivered
 - (iv) No, because of Mr. Raman Died
- (C) Is the skylark tailor is entitled to refuse delivery of suit to Mr. Malik?
- (i) Yes, because old dues from Mr. Malik is still pending.
 - (ii) Yes, because skylark tailor has right lien as bailee.
 - (iii) No, because the amount of old dues is INRs 5000, which is less then INRs 8000.
 - (iv) No, because amount of tailoring charges are duly paid as agreed against the goods bailed.
3. A Limited Company is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the minimum period for which it should mandatorily be preserved in good order.
- (a) Four years from the financial year in which the latest entry is made in the Register.

- (b) Six years from the financial year in which the latest entry is made in the Register.
- (c) Eight years from the financial year in which the latest entry is made in the Register.
- (d) Ten years from the latest date of entry. **(1 Mark)**
4. Swastik Private Limited passed a Special Resolution to change its name to Swastik Darshan Private Limited on 30th May, 2019. Relevant MCA filing was done on due time and then Company got its new stationery printed on 1st July, 2019. However there was a delay in issue of Certificate and Company received new certificate on 20th August, 2019 which was issued on 10th August, 2019. Company wants to enter into a lease agreement for new premise. When they can do such agreement in new name of the Company?
- (a) 30th May, 2019
- (b) 1st July, 2019
- (c) 20th August, 2019
- (d) 10th August, 2019 **(1 Mark)**
5. An interest or lien created on the property or assets of a company or any of its undertakings or both as security is known as:
- (a) Debt
- (b) Charge
- (c) Liability
- (d) Hypothecation **(1 Mark)**
6. Extra Limited is a growing Company and requires additional funds for expansion from time to time. They are following the same process for making an offer to public and then issue those shares. This is very time and energy consuming for them. Kindly advise them if there is any way out.
- (a) During first offer they shall file prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
- (b) During first offer they shall file prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
- (c) During first offer they shall file shelf prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
- (d) During first offer they shall file shelf prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required. **(1 Mark)**
7. As per the Negotiable Instruments Act, 1881, when the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due on the.....
- (a) said public holiday
- (b) 5 days succeeding public holiday
- (c) next succeeding business day
- (d) next preceding business day **(1 Mark)**
8. As per the provisions of the Payment of Gratuity Act, 1972, the employer shall arrange to pay the amount of gratuity within from the date it becomes payable to the person as gratuity.
- (a) 15 days

- (b) 30 days
(c) 90 days
(d) 6 months **(1 Mark)**
9. Examine which of the following does form part of 'Basic Wages' under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952:
(a) Cash value of food concession
(b) Piece rate wages
(c) Value of puja gift
(d) Presents made by the employer **(1 Mark)**
10. A negotiable instrument drawn in favor of a minor is
(a) Void
(b) Void but enforceable
(c) Valid
(d) None of the above **(1 Mark)**
11. The Payment of Bonus Act, 1965 is applicable on which of the following employees?
(a) Employees employed by Life Insurance Corporation of India.
(b) Employees employed by the Reserve Bank of India.
(c) Employees employed through contractors on building operations.
(d) Employees employed by the Deposit Insurance Corporation. **(1 Mark)**
12. Gratuity shall be payable to an employee after rendering continuous services for not less than
(a) 1 year
(b) 5 years
(c) 7 years
(d) 10 years **(1 Mark)**
13. In Roopali Marketing Company Private Limited (Authorised capital 50,000 shares of Rs. 10 each and paid-up share capital of Rs. 4,50,000), 1000 shares are jointly held by Abeer and Abheek; another 800 shares are jointly held by Seema and Srividya; and another 1200 are jointly held by Ramesh, Raksha and Rajneesh. Further, 42,000 shares are held by 193 individual persons in their individual capacity. Is it possible for the company to induct more persons?
(a) The company is unable to induct more persons since it already has two hundred individual members.
(b) The company can induct four more persons as members.
(c) The company can induct another 20 persons (i.e. 10% of two hundred individual members) after seeking permission from the concerned ROC.
(d) If the company does not want to seek permission of the concerned ROC, it can induct only 10 more persons (i.e. 5% of two hundred individual members). **(2 Marks)**

14. A draws a cheque in favour of M, a minor. M endorses the same in favour of X. The cheque is dishonoured by the bank on grounds of inadequate funds. As per the provisions of Negotiable Instruments Act, 1881:
- M is liable to X
 - X can proceed against A
 - No one is liable in this case
 - M can proceed against A
- (2 Marks)**
15. Atul contracts to indemnify Neha against the consequences of any proceedings which Chirag may take against Neha in respect of a sum of Rs. 15000/- advanced by Chirag to Neha. Now, Neha who is called upon to pay the sum of money to Chirag but she fails to do so. Now, as per the provisions of the Indian Contract Act, 1872, advise the future course of action to be taken by Chirag.
- Chirag can recover the amount only from Neha
 - Chirag can recover the full amount from Atul
 - Chirag cannot recover the amount from Atul
 - Chirag can recover at least 10% of the total amount from Neha
- (2 Marks)**
16. Mr. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statement is correct in this regard?
- This is a case of bailment
 - The parking people has possession of the car of Mr. Vishal
 - The parking people has custody of car of Mr. Vishal
 - This is the case of mortgage
- (2 Marks)**

Division B (Total 70 Marks)

1. (a) Alps Ltd. scheduled its Annual General Meeting to be held on 11th April, 2020 at 11:00 A.M. The company has 900 members. On 11th April, 2020 following persons were present by 11:30 A.M.
- S1, S2 & S3 shareholders
 - S4 representing ABC Ltd.
 - S5 representing DEF Ltd.
 - S6 & S7 as proxies of the shareholders
- In the light of the given facts, examine the following situations with reference to relevant provisions of the Companies Act, 2013:
- Whether quorum was present in the meeting.
 - What, if S4 representing ABC Ltd., reached in the meeting after 11:30 A.M.?
 - In case of lack of Quorum, discuss the provisions as applicable for an adjourned meeting in terms of date, time & place.
 - What happens if there is no Quorum in the Adjourned meeting?
- (6 Marks)**
- (b) Explain the Deontological Approach as a source of ethical standard.
- (4 Marks)**

- (c) Explain the factors which are responsible for the growing importance of communication in an organization. **(4 Marks)**
2. (a) In 2017, a Government Educational Institute, under the MHRD, promoted to provide higher education to the weaker section of the society on nominal fees, in addition to free tuitions, with the others, so as to compete with private sector establishment in the market. The income from Institute sets is 21 percent of the gross income of the Institute. The employees of the Institute demanded for the Bonus. Decide, whether the demand of the employees is tenable under the provisions of the Payment of Bonus Act, 1965. Would your answer be different if the income from the service of Institute sets is only 15 percent of the gross income of the Institute? **(3 Marks)**
- (b) Mr. Sukhi after serving PQR Ltd. retired from the service on 31st March, 2018. He had a sum of Rs. 10 lakh in his Provident Fund Account. It has become due for payment to Sukhi on 30th April, 2018 but PQR Ltd. made the payment of the said amount in 2019. Mr. Sukhi, claimed for the payment of interest on due amount at the rate of 18 percent per-annum for one year. Decide, on the legality of claim by Mr. Sukhi under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. **(3 Marks)**
- (c) Describe the factors which influence the ethical behaviour at work in an organization. **(4 Marks)**
- (d) What are the tips for improving inter-personal skills in a business organization? **(4 Marks)**
3. (a) The persons (not being members) dealing with the company are always protected by the doctrine of Indoor management. Explain. **(3 Marks)**
- (b) Explain the provisions of the Payment of Gratuity Act, 1972 in respect of forfeiture of amount of gratuity payable to an employee. Also explain how the gratuity payable to a disabled employee is calculated. **(3 Marks)**
- (c) Sun Flowers Ltd., a leading oil manufacturer in Eastern India, wants to enter into an agreement with another emerging manufacturer, Coconut Ltd. in that area for not selling the products below the price of its own products. Please comment on the legality of such agreement considering the parameters of Competition Law. **(4 Marks)**
- (d) "A key element in any communication activity is the values of the organization." What do you understand by term "Organizational values"? **(4 Marks)**
4. (a) Mr. Chetan was appointed as Site Manager of ABC Constructions Company on two years contract at a monthly salary of Rs. 50,000. Mr. Pawan gave a surety in respect of Mr. Chetan's conduct. After six months the company was not in position to pay Rs. 50,000 to Mr. Chetan because of financial constraints. Chetan agreed for a lower salary of Rs. 30,000 from the company. This was not communicated to Mr. Pawan. Three months afterwards, it was discovered that Chetan had been doing fraud since the time of his appointment. What is the liability of Mr. Pawan during the whole duration of Chetan's appointment as per the law enumerated in the Indian Contract Act, 1872? **(3 Marks)**
- (b) Mr. S Venkatesh drew a cheque in favour of M who was sixteen years old. M settled his rental due by endorsing the cheque in favour of Mrs. A the owner of the house in which he stayed. The cheque was dishonoured when Mrs. A presented it for payment on grounds of inadequacy of funds. Advise Mrs. A how she can proceed to collect her dues as per the Negotiable Instruments Act, 1881. **(3 Marks)**
- (c) What do you mean by discrimination in employment? State the basic elements involved in discrimination in employment. **(4 Marks)**

- (d) Write short notes on:
- (i) Group think
 - (ii) Persuasion **(4 Marks)**
5. (a) Define the term 'deposit' under the provisions of the Companies Act, 2013 and comment with relevant provisions that the following amount received by a company will be considered as deposit or not;
- (i) Rs. 5,00,000 raised by Rishi Ltd. through issue of non-convertible debenture not constituting a charge on the assets of the company and listed on a recognised stock exchange as per applicable regulations made by Securities and Exchange Board of India.
 - (ii) Rs. 2,00,000 received from Mr. T, an employee of the company who is drawing annual salary of Rs. 1,50,000 under a contract of employment with the company in the nature of non-interest bearing security deposit.
 - (iii) Amount of Rs. 3,00,000 received by a private company from a relative of a Director, declared by the depositor as out of gift received from his mother. **(6 Marks)**
- (b) State with reasons whether the following statement is correct or incorrect:
- Fairness and honesty are the pillars of success in business. **(4 Marks)**
- (c) Draft a notice for ABC Limited's Annual General Meeting with four ordinary business. **(4 Marks)**
6. (a) Mahima Ltd. was incorporated by furnishing false informations. As per the Companies Act, 2013, state the powers of the Tribunal (NCLT) in this regard. **(3 Marks)**
- (b) Srushti acquired valuable diamond at a very low price by a voidable contract under the provisions of the Indian Contract Act, 1872. The voidable contract was not rescinded. Srushti pledged the diamond with Mr. VK. Is this a valid pledge under the Indian Contract Act, 1872? **(3 Marks)**
- (c) While resolving the ethical conflicts in a business organization, what are the issues to be considered specifically? **(4 Marks)**
- (d) XYZ Limited wants to engage the services of Mr. A, a Chartered Accountant, to appear before the Income Tax Authorities. Draft the Power of Attorney to be given by the company to Mr. A. **(4 Marks)**